



# **GROWING SMES: EMERGING BUSINESS OPPORTUNITIES**

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# OUTLINE OF PRESENTATION

- IMPORTANCE OF SMES
- SOME POLICY INITIATIVES FOR SMES DEVELOPMENT
- INVESTMENT CLIMATE ISSUES
- MONETARY POLICY IMPLICATIONS FOR SMES
- FOREIGN DIRECT INVESTMENT PERSPECTIVE
- TRADE POLICY ISSUES



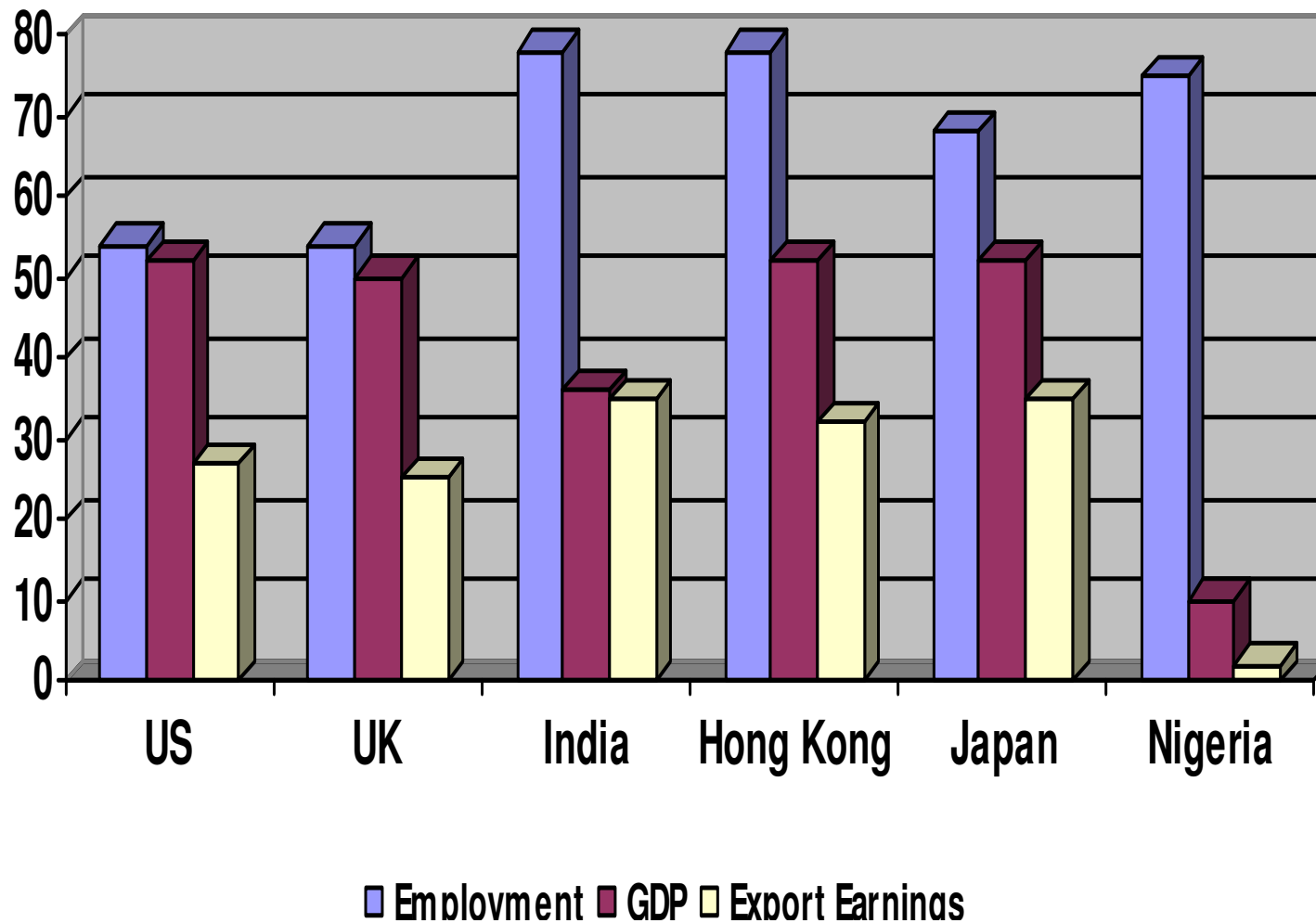
# OUTLINE OF PRESENTATION

- STRATEGIC INDUSTRY ISSUES
- BUSINESS ETHICS AND CORRUPTION
- SERVICE SECTOR PROSPECTS FOR SMES
- EDUCATIONAL POLICY
- IMPACT OF REGULATORY INSTITUTIONS
- PORTS
- EMERGING BUSINESS OPPORTUNITIES

# IMPORTANCE OF SMEs

- JOB CREATION POTENTIALS IS HUGE
- MOBILISATION OF DOMESTIC SAVINGS
- FEEDER SERVICES TO LARGE ENTERPRISES
- PROMOTION OF INNOVATION AND TECHNOLOGICAL DEVELOPMENT
- UTILIZATION OF DOMESTIC RESOOURCES
- POVERTY REDUCTION MECHANISM

# SME CONTRIBUTION (%)



# INVESTMENT CLIMATE ISSUES

**Good macroeconomic fundamentals  
focusing on the following key  
variables:**

- Low Inflation
- Stable Exchange Rate,
- Robust external reserves
- GDP Growth Performance

# INVESTMENT CLIMATE

- Power supply
- Logistics (which includes transportation, road and rail systems)
- Credit conditions
- Trade policy issues
- Policy consistency
- Regulatory environment covering Standards Organization of Nigeria (SON), NAFDAC, Customs etc.

# SIGNIFICANCE OF LINKAGES FOR SME DEVELOPMENT & THE ECONOMY

- Linkages between what is produced and what is consumed. We should produce what we consume; or consume what we produce.
- Linkages between SMEs and the large enterprises
- Backward integration issues
- Patronage of locally produced goods
- Linkages between the financial sector and the real economy



# MONETARY POLICY AND THE SMEs

- A supportive monetary policy is critical for job creation in any economy. Current monetary stance is not favourable to SMEs
- Tightening of monetary policy has led to interest rate hovering between 25% and 30% which is not helpful for job creation.
- Monetary Policy rate (MPR) still stands at 12%, Cash Reserve Ratio (CRR) for public sector has increased from 12% to 50%.
- All these make investment uncompetitive especially for the real sector.

# **MONETARY POLICY IMPACT**

- It also creates situations where foreign investors have clear advantages over domestic investors
- Creates advantage for imports over domestic production
- However, one should also acknowledge the reasons adduced by the CBN for the tightening of monetary policy – price and monetary stability

# MAKING FDI WORK FOR SMEs

- SME and Job issues should be incorporated into our FDI policy. Specific inputs, services and jobs should be earmarked for indigenous employees.
- Promotion of indigenous SME participation in some of the key sectors like telecoms, IT, power sector etc.
- Review of liberal foreign investment regime.

# TRADE POLICY AND SMEs

- Trade policy should promote SMEs and create jobs. Uncontrolled importation of finished products should be checked to protect local industries.
- Membership of World Trade Organization (WTO) and ECOWAS TRADE LIBERALISATION SCHEME POSES CHALLENGES SOMETIMES

# STRATEGIC INDUSTRIES

- Iron and Steel to help the construction sector and the automobile sector
- Petrochemical industries to help the plastics, pharmaceutical companies and related industries.
- Petroleum Refineries which with numerous by products
- Power sector to sustain operations in all the sectors.

# BIULDING CAPACITY OF SMEs

- Business Management skills
- Business Information and Market intelligence
- Record keeping
- Passion for the enterprise
- Knowledge of Enterprise
- Knowledge of Market/Customer

# SERVICE SECTOR SME DEVELOPMENT

- The service sector in an economy has huge potentials for SMEs and job creation. In some instances, capital requirements are quite low as they are mostly knowledge-driven.
- There should therefore be specific policies to develop the following sectors: Information & Communications Technology (ICT), entertainment industry, tourism, hospitality, mobile & online payment transactions etc.

# INDUSTRY CLUSTERS

- EASE OF INFRASTRUCTURE DEVELOPMENT
- EASE OF INCENTIVES ADMINISTRATION
- ECONOMIES OF SCALE THROUGH JOINT PURCHASES AND SHARING OF FACILITIES.
- SUPPLIERS CREDIT



# BUSINESS ETHICS

- The declining standard of ethics in the business environment is making it difficult for jobs to be created especially in the following areas:
- Product faking and counterfeiting
- Smuggling & dumping
- Bribes and Extortions
- Piracy and intellectual property infractions

# CORRUPTION

- Public sector corruption is a major factor affecting business relationship with public sector institutions and agencies.
- There are severe leakages in the following areas: fuel subsidy, ghost workers, contract inflation, ghost pensioners etc. which affects the capacity to invest in infrastructure.

# EDUCATIONAL CURRICULUM

- There is a mismatch between the curriculum of schools and the needs of SMEs other operators in the economy.
- The skills content in the educational system is very low.
- The alignment between research activities and the industry is very weak.

# PORTS AND THE SMEs

- Transaction costs in our ports is reputed to be one of the highest globally. This affects operating costs of businesses and inhibits their capacity to create jobs.
- Elimination of corruption among agencies at the ports
- Streamlining customs cargo clearing procedures
- Improving port logistics including good access roads, rail service access to the ports
- Investment in cargo handling equipment by the terminal operators.

# EMERGING BUSINESS OPPORTUNITIES

- POWER SECTOR REFORMS SHOULD THROW UP NEW OPPORTUNITIES FOR SMEs IN ENGINEERING, BILLING, LOGISTICS ETC
- OIL AND GAS SECTOR REFORM OFFERS NEW OPPORTUNITIES POST PIB
- SURGE IN THE FDI INFLOWS ALSO OFFERES OPPORTUNITIES

# OTHER BUSINESS OPPORTUNITIES

- EDUCATIONAL SERVICES
- HOUSEHOLD/PERSONAL CARE PRODUCTS
- POULTRY
- OIL PALM PRODUCTS
- CATERING
- BAKING AND CONFECTIONERIES
- FOOD AND ALLIED PRODUCTS



# OTHER BUSINESS OPPORTUNITIES

- CHEMICAL AND ALLIED PRODUCTS
- ANIMAL HUSBANDRY
- CSAH CROPS FARMING
- FOOD AND BEVERAGES
- FISH PRODUCTION
- FASHION AND ALLIED PRODUCTS
- RENTAL SERVICES



# OTHER BUSINESS OPPORTUNITIES

- COMMUNICATIONS/ICT
- BUILDING AND CONSTRUCTION
- ENTERTAINMENT
- AND MANY MORE



# THE GOOD NEWS ABOUT THE NIGERIAN ECONOMY

- IT'S THE LARGEST MARKET IN AFRICA
- IT'S THE BIGGEST ECONOMY IN THE WEST AFRICAN SUB REGION
- THE MACROECONOMIC FUNDAMEENTALS ARE GOOD
- IT IS THE SECOND LARGEST ECONOMY IN THE AFRICAN CONTNENT
- IT HAS ONE OF THE BEST GDP GROWTH PERFORMANCE IN THE WORLD (6.5-7%)

# THE GOOD NEWS

- THE COUNTRY'S DEMOCRACY HAS BEEN UNINTERRUPTED FOR 14 YEARS
- IT HAS ONE OF THE MOST ENTERPRISING POPULATION IN THE WORLD
- IT HAS A YOUTHFUL POPULATION



**THANK YOU**

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